

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-155

July 13, 1999

CENTRAL MAINE POWER COMPANY
Annual Price Change Pursuant to
the Alternative Rate Plan

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY OF DECISION

In this Order, we adopt the proposals in the Joint Statement of Position (JSP)¹ filed by Central Maine Power Company (CMP) and the Office of the Public Advocate (OPA). Accordingly, we hereby allow CMP to increase the Reconcilable Demand Side Management (DSM) account balance by \$425,000 (in lieu of a price cap change); revise the October 14, 1994 Attachment F, Pricing Flexibility Stipulation (from Docket No. 92-345) to reflect pricing flexibility guidelines appropriate for a transmission and distribution (T&D) utility in the post-March 1, 2000 period, and adopt the pricing flexibility floors proposed in the JSP.

II. PROCEDURAL HISTORY

On March 15, 1999, CMP filed its annual price change pursuant to its Alternative Rate Plan (ARP) approved by the Commission in its January 10, 1994 Order in Docket No. 92-345. In that filing, CMP asserted that a price increase of \$280,000 (0.03% increase) was warranted. However, rather than increase its rates by such a small amount, the Company proposed to increase the balance of the reconcilable DSM account by \$280,000 instead.

The Commission granted petitions to intervene in this proceeding from the OPA, the IECG and BOC Gases. On June 17, 1999 CMP and the OPA filed a JSP. Pursuant to the JSP, no price cap increase would occur on July 1, 1999, but, based on changes and subsequent corrections to the original filing, the reconcilable DSM account would be increased by \$425,000 (rather than the original proposal of \$280,000). Further, the JSP included a revised version of Attachment F that reflected pricing flexibility guidelines consistent with service from a T&D-only utility and pricing flexibility floors for the periods both prior to,

¹ This document was filed as a Partial Stipulation, entered into by CMP and the OPA. However, this Stipulation was opposed by the two other parties to the proceeding, the Industrial Energy Consumer Group (IECG) and BOC Gases. Because of the limited participation in the Stipulation, we agree with the IECG that it is more appropriate to view it as a Joint Statement of Position and will refer to it, herein, as such.

and after, March 1, 2000. Finally, the JSP acknowledged that 1998 income tax audit issues associated with the Fairfield Energy Venture (FEV) have not yet been resolved and that the revenues and costs associated with FEV for 1999 through February 29, 2000, should be reconciled in some later proceeding.

On June 23, 1999, the IECG and BOC Gases filed comments in opposition to two aspects of the JSP. The IECG objected to using the reconcilable DSM account as a means to pass a rate increase on to ratepayers and both the IECG and BOC Gases objected to the magnitude of the “adders”² included in the post-March 1, 2000 floors. On June 25, 1999, CMP filed its response to the comments filed by the IECG and BOC Gases. No party requested a Hearing in this proceeding and on July 1, 1999, the Commission deliberated the matter.

III. DISCUSSION

We will first address the IECG’s objection to using the DSM account as a means to pass the rate increase on to ratepayers. The IECG suggested that “[i]f the administrative burdens of calculating and implementing such a *de minimus* price increase outweigh the benefits to the utility of collecting this money, then the Commission should order CMP to forgo the increase.” IECG Comments at 2. However, we see no justification for requiring CMP to forego revenues it is otherwise entitled to collect from ratepayers, even if the amount is small. We would be equally hesitant to require ratepayers to forego a rate decrease just because the magnitude was small. But, to increase rates by only 0.03% is not reasonable, particularly when adjusting the reconcilable DSM balance could accomplish the same end without the administrative burden and attendant cost. Therefore, we find the treatment proposed in the JSP reasonable and will hereby increase the reconcilable DSM balance by \$425,000.

We will next address the magnitude of the adders included in the pricing flexibility floors. In the JSP, CMP and the OPA proposed adders of 1.2 ¢/kWh for secondary, 1.0 ¢/kWh for primary and 0.8 ¢/kWh for transmission and sub-transmission voltage level service. The IECG and BOC Gases proposed, instead, that the adders be 1.0 ¢/kWh, 0.07 ¢/kWh and 0.04 ¢/kWh, respectively.

The adders at issue, as a component of the pricing flexibility floors, affect only the level of Commission review a discount contract or tariff receives prior to becoming effective. They are not indicative of the reasonableness of any particular discount amount. CMP is expected to price its services to non-core customers as high as possible while still retaining the load, regardless of the

² The term “adder” refers to an amount added to costs as part of the pricing flexibility floors (See Section 4 of the Pricing Flexibility Floors to be Used for Services After February 29, 2000, attached to the JSP).

pricing flexibility floors. The floors are merely a screening tool that allow contracts or tariffs with rates above the floors -- assuming they pass the other criteria of Attachment F -- to go into effect automatically 30 days after being filed with the Commission. While we recognize that there may be a burden on both CMP and the customer in cases where additional review is needed, we believe some screening is needed so that the Commission -- and the public -- can ensure that, where the contribution above marginal cost is small, the contract rate is justified.

Given that the floors serve only as a screening tool, there are factors that weigh in favor of adopting the floors proposed in the JSP. First, there is still significant uncertainty regarding the determination of marginal distribution costs. Thus, an adder toward the higher end of a reasonable range provides additional ratepayer protection against errors in estimating the marginal cost. Second, because the only consequence of a contract or tariff being priced below the floors is that the Commission will more closely review it, we believe the floors should tend to be higher, rather than lower. Therefore, we adopt the floors proposed by CMP and the OPA in their JSP, rather than those proposed by the IECG and BOC Gases.

Accordingly, we

ORDER

1. That the proposals in the Joint Statement of Position filed by Central Maine Power on behalf of itself and the Office of the Public Advocate on June 17, 1999 in Docket No. 99-155 (and appended hereto as Attachment A) are hereby adopted.

Dated at Augusta, Maine this 13th day of July, 1999.

BY ORDER OF THE COMMISSION

Raymond J. Robichaud
Assistant Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of adjudicatory proceedings are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 6(N) of the Commission's Rules of Practice and Procedure (65-407 C.M.R.11) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which consideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.